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EDITORIAL OF THE DAY-02.06.2026

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1. IMEC Is Caught Between Commerce and Geopolitics (TH)

GS Paper II - International Relations / Bilateral, Regional and Global Groupings affecting India's interests

Topic - Groupings and agreements involving India and/or affecting India's interests; Effect of policies and politics of developed and developing countries on India's interests.

Sub-Topic - India-Middle East-Europe Economic Corridor (IMEC), Strait of Hormuz Blockade, Asymmetric Warfare & Logistics Vulnerabilities, and West Asian Geopolitical Divergence (Saudi-UAE Rifts).

1. Introduction

The ongoing war in Iran has shattered long-standing military myths and exposed deep structural vulnerabilities within the contemporary global order. Despite facing the combined military might and technological superiority of Israel and the United States, Iran has managed to withstand the onslaught and execute highly unexpected retaliatory measures. Nearly three months into the conflict, a fragile ceasefire is holding, yet the politico-military objectives originally set by the U.S. and Israel remain unresolved. While Iran has suffered devastating losses to its leadership, infrastructure, and assets, the conflict has also inflicted unprecedented material and strategic costs on Western forces, altering the landscape of trans-regional connectivity and energy security.

2. Asymmetric Realities of the Conflict ("Operation Epic Fury")

The war has redefined modern warfare by demonstrating that conventional technological dominance does not guarantee an immediate or outright victory -

Unprecedented Western Material Losses - According to a U.S. Congressional Research Service report, 42 U.S. aircraft have been lost or damaged during "Operation Epic Fury," including advanced fifth-generation stealth fighters like the F-35.

Depletion of Defensive Interceptors - Western capacity to counter Iranian missiles and drones has been severely degraded, with more than half of the total inventory of Patriot, Tomahawk, and Terminal High Altitude Area Defence (THAAD) interceptors already expended.

Asymmetric Counter-Strikes - Iran has successfully struck more than 240 American targets using asymmetric tactics, catching superior conventional forces completely off-balance.

3. The Vulnerability of Global Maritime Chokepoints

The conflict has delivered a severe reality check regarding the fragility of global trade routes and the ease with which the international economy can be disrupted -

The Strait of Hormuz Blockade – Early in the conflict, Iran imposed a blockade on the Strait of Hormuz, virtually paralyzing global trade logistics.

The Quantum of Disruption – Approximately 20 million barrels of crude oil transit this narrow sea passage daily, representing nearly one-third of the global oil supply.

The Asymmetrical Shock to India – India stands as one of the worst-affected nations, given its extreme dependence on foreign energy; it imports 88% of its crude oil requirements, which amounts to roughly 1.8 billion barrels annually.

The Mandate for Alternative Connectivity – This crisis highlights an urgent need to build transnational logistics corridors that avoid the two "C"s – Conflict zones and Chokepoints.

4. Comparative Matrix of Transnational Corridors

To bypass vulnerable maritime chokepoints, nations have designed alternative connectivity projects, which face varying degrees of geopolitical exposure –

INSTC (International North-South Transport Corridor) – Designed specifically to bypass the Suez Canal chokepoint by linking India to Russia via Iran, though its central node is now directly involved in the war.

BRI (Belt and Road Initiative) – China's overland component across Europe and Asia aims to structurally reduce global supply chain dependence on both the Malacca Strait and the Suez Canal.

IMEC (India-Middle East-Europe Economic Corridor) – Announced at the G-20 Summit in New Delhi in September 2023, this multimodal project integrates rail, ports, pipelines, high-speed digital links, and hydrogen networks to connect India to Europe across the Arabian Peninsula. However, unlike the overland BRI, IMEC directly traverses the heart of volatile West Asia.

5. Geopolitical Fault Lines Halting IMEC

First delayed by the Gaza conflict in October 2023, IMEC's revival after the June 2025 "12-Day War" has been halted by the current war in Iran –

Physical Targetization of Ports – Iran has repeatedly targeted key UAE transit hubs, specifically Jebel Ali and Fujairah, exposing the severe geographic vulnerability of ports near the Strait of Hormuz.

The Saudi-UAE Strategic Rift – The success of IMEC depends on seamless coordination across West Asia, yet the war has exposed a deep strategic divergence between Riyadh and Abu Dhabi.

The OPEC Exit and Alignment – The UAE's April 2026 announcement that it was opting out of OPEC, combined with its expanding strategic and defence coordination with Israel—including deploying Israel's Iron Beam system—has severely widened its differences with Saudi Arabia, threatening regional stability and the future of the corridor.

6. Strategic Reconfiguration and the Way Forward

To survive West Asian volatility, IMEC must transform into a more flexible and adaptable framework through targeted maritime and diplomatic rerouting –

The Omani Eastern Re-Alignment – To avoid the vulnerable Strait of Hormuz, the eastern section of IMEC can explore using Oman's deep-water ports—such as Salalah, Duqm, and Muscat—as safer entry points well away from the immediate conflict zone.

The Egyptian Western Spur – Until Israel's Port of Haifa becomes a secure transit hub, the central overland link can terminate at a western spur passing through Egypt. Egypt offers an established logistics ecosystem, including the Suez Canal Economic Zone, six operational ports, and four specialized industrial zones focusing on green hydrogen and LNG.

Delicate Diplomatic Interventions – India, which holds the unique position of enjoying close relations and trust with both Saudi Arabia and the UAE, must take the lead in navigating this complex diplomatic terrain.

European Special Strategic Alliances – European stakeholders must step up their roles. This was highlighted during Prime Minister Narendra Modi's May 2026 visit to Europe, where India and Italy elevated ties to a Special Strategic Partnership and explicitly reaffirmed their commitment to cooperate on IMEC to reshape global trade.

Source – <https://www.thehindu.com/opinion/lead/imec-is-caught-between-commerce-and-geopolitics/article71049503.ece>

Question

"The India–Middle East–Europe Economic Corridor (IMEC), while conceptually robust in bypassing traditional maritime chokepoints, remains deeply vulnerable to the internal geopolitical fractures and active conflict zones of West Asia. Elucidate this statement in light of recent disruptions in the region, and suggest a strategic framework to make the corridor resilient." (250 Words, 15 Marks)

1. Introduction

The India–Middle East–Europe Economic Corridor (IMEC), initiated at the 2023 G–20 Summit, was envisioned as a transformative multimodal network designed to connect India with Europe while bypassing traditional maritime chokepoints like the Suez Canal. However, recent military escalations in Iran and the broader West Asian landscape demonstrate that replacing maritime bottlenecks with volatile land bridges exposes international trade to severe geopolitical risks.

2. Impact of West Asian Disruptions on the IMEC Framework

The active conflict has exposed major operational, geographical, and diplomatic vulnerabilities within the corridor's originally planned layout –

Geographic Exposure of Infrastructure Nodes – The war has shown that key maritime entry points are highly vulnerable. Important UAE ports, such as Jebel Ali and Fujairah, have faced direct strikes, exposing the risks of locating infrastructure near the contested Strait of Hormuz. Similarly, active hostilities have compromised the safety of the corridor's western terminal at the Port of Haifa in Israel.

The Saudi–UAE Geopolitical Divergence – IMEC relies entirely on seamless cross-border coordination across the Arabian Peninsula. However, the UAE's April 2026 exit from OPEC and its independent defense cooperation with Israel—such as deploying the Iron Beam system—have widened its strategic rift with Saudi Arabia, disrupting the regional cooperation required for the project.

The Exhaustion of Defense Buffers – The conflict has illustrated that conventional military superiority cannot fully protect trade infrastructure. With Western forces expending over half of their Patriot and THAAD interceptors against asymmetric drone and missile tactics, securing long overland rail networks against continuous targeting has become a major challenge.

3. Strategic Framework for Corridor Resilience

To rescue the IMEC project from indefinite delay, member states must transition toward a more flexible and adaptive blueprint –

Implementing an Omani Bypass – The eastern sea link should be rerouted away from the Strait of Hormuz toward Oman's southern deep-water ports, including Salalah and Duqm, ensuring a safer entry point into the Arabian rail network.

Integrating an Egyptian Western Spur – Until Mediterranean terminals in the Levant are secure, the overland corridor should utilize a western branch terminating in Egypt. This layout leverages the established infrastructure of the Suez Canal Economic Zone and its industrial ports to connect directly with European markets.

Deploying Focused Indian Diplomacy – India must utilize its unique diplomatic position as a trusted partner to both Riyadh and Abu Dhabi to mediate cross-border differences and restore standard

transport coordination. This should be supported by deep partnerships with European champions of the project, as seen in the May 2026 India-Italy Special Strategic Partnership.

Conclusion

The conflict in West Asia shows that connectivity projects cannot succeed without navigating the complex local politics of the regions they cross. By decoupling IMEC's infrastructure from volatile chokepoints through Omani and Egyptian rerouting, and using active diplomacy to bridge regional rifts, India can build an insulated, multi-dimensional trade corridor that ensures long-term economic security and trans-continental prosperity.

Source - <https://www.thehindu.com/opinion/lead/imec-is-caught-between-commerce-and-geopolitics/article71049503.ece>

2. Why Global Money Isn't Cheap Any More, And How This Impacts India (IE)

GS Paper III - Indian Economy and Issues Relating to Planning, Mobilization of Resources, Growth, and Development.

Topic - Effects of liberalization on the economy; Mobilization of resources; Banking system & Monetary Policy; Capital Markets.

Sub-Topic - Quantitative Easing (QE) Reversal, 10-Year Government Bond Yields, Foreign Portfolio Investment (FPI) Outflows, Net Capital Flows, and the Yield Spread Compression.

1. Introduction

The Reserve Bank of India's (RBI) annual report for the 2025-26 fiscal year has raised sharp concerns regarding "elevated" sovereign bond yields across major international economies. This elevation points toward a potential "reversal" of loose monetary policy, marked by interest rate hikes by global central banks responding to West Asia crisis-induced inflationary pressures. Chief Economic Adviser V. Anantha Nageswaran has noted that the era of quantitative easing and near-zero interest rates is over, calling its conclusion perhaps the single most consequential development in global capital markets in recent times. For India, a long-term beneficiary of cheap foreign capital, this transition structuralizes a significant shift from global capital "push" factors to localized "pull" requirements.

2. Fundamentals of Government Bonds and Yield Dynamics

The text establishes the baseline mechanics of sovereign debt instruments to contextualize the current global shift -

The Instrument - A government bond is a sovereign debt security issued by a state authority to borrow capital for a specific, predetermined period, promising a fixed annual interest payment and principal repayment at maturity.

Risk-Free Status - Backed by a sovereign's absolute power to tax or print money, these bonds are classified as the safest or closest to "risk-free" assets.

The Minimum Return Benchmark - Government bond yields serve as the foundational benchmark for setting interest rates across all other domestic fixed-income securities. They establish the minimum expected return investors demand when locking away capital over a comparable timeframe.

3. Historical Trajectory of Global Bond Yields

The document traces the shifting yield landscape across three major global economies—the United States, the United Kingdom, and Japan—since 1999-2000 -

The High-Yield Starting Line (1999–2000) – Annual effective interest on 10-year government bonds averaged over 6% for the US, 5.4% for the UK, and 1.7% for Japan.

The Secular Decline & Negative Yield Era – Following the 2008 global financial crisis and the COVID-19 pandemic, yields plunged to averages of 0.9% (US), 0.4% (UK), and practically zero or negative for Japan.

The Economics of Negative Yields – During extreme economic uncertainty (e.g., Japan in 2016–17 and 2019–20), average yields went negative. Investors were willing to pay the Japanese government to hold their money rather than expect a return, choosing a small guaranteed negative yield over a double-digit stock market collapse.

The Current Surge (2025–26) – This ultra-low regime has reversed. In 2025–26, 10-year bond yields climbed to averages of 1.5% for Japan, 4.2% for the US, and 4.6% for the UK. In the current fiscal year (scaling peaks on May 18–20, 2026), they have risen further to 2.5% for Japan, 4.4% for the US, and 4.9% for the UK.

4. Structural Drivers Behind the End of Cheap Money

The text outlines two broad explanations for why the low-interest-rate environment collapsed –

A. The Global Return of Inflation

The Price Triggers – Supply chain bottlenecks from the pandemic (2020–21), Russia's invasion of Ukraine (2022), unilateral US tariff actions (2025), and the unresolved West Asia supply-shock conflict have driven global inflation upward.

Country Manifestations –

1. **Japan** – Consumer price inflation moved from negative territory to hover at 2–4% through late 2025, reaching a high of 4.3% in January 2023—a massive shift for an economy defined by decades of deflation.
2. **United Kingdom** – Registered a 9–11% annual inflation spike from April 2022 to March 2023, with April 2026 inflation remaining elevated at 2.8%.
3. **The Result** – Rising fuel, food, and fertilizer prices from the West Asia conflict have made the historic ultra-low interest rates completely unsustainable.

B. Reversal of Quantitative Easing (QE)

The Mechanism – Post-2008 and during the pandemic, major central banks like the US Federal Reserve engaged in quantitative easing—creating new money electronically to purchase government bonds and mortgage-backed securities from commercial banks.

The Core Weakness – This regime flooded the system with liquidity to force down long-term rates. However, because newly created money grew faster than the physical production of goods and services, it generated systemic inflation. It also lowered sovereign borrowing costs artificially, encouraging governments to accumulate high public debt relative to their repayment capacities. The correction of these distortions is driving today's elevated bond yields.

5. Implications for India – The Reversal of Capital Flows

When global liquidity was cheap, capital flooded emerging markets like India in search of higher yields. The end of that era has directly impacted India's external accounts –

The Historical Net Capital Peak – Net capital inflows into India climbed from \$8.3 billion in 1998–99 to a pre-crisis record of \$107.9 billion in 2007–08. Even after collapsing to \$7.8 billion during the 2008–09 global financial crisis, flows averaged a comfortable \$67.3 billion annually between 2009–10 and 2023–24.

The Current Inflow Squeeze – The tide has turned. In 2024–25, net capital inflows slowed down significantly to just \$15 billion. More critically, the first nine months of the 2025–26 fiscal year recorded net capital outflows of \$580 million.

Foreign Portfolio Investment (FPI) Flight – From 1998–99 to 2020–21, Indian equity markets witnessed only two years of net negative FPI flows (2008–09 and 2015–16). However, since 2020–21, foreign portfolio investors have pulled capital out of the country in five out of the last six years.

6. The Yield Spread Compression Problem

The primary mathematical driver behind this capital flight is the narrowing gap between domestic and international returns –

The Vanishing Premium – Currently, 10-year government bond yields in India hover at around **7%**. With US 10-year Treasury note yields climbing to 4.5%, the yield differential has compressed to 2.5 percentage points.

Historical Comparison – This is a major drop from India's historical decade-long average yield spread of 4-plus percentage points over US debt.

The True Return Deficit – When factoring in regular Indian Rupee depreciation alongside the structural safe-haven value of holding actual US Treasuries, the actual return gap vanishes completely, offering foreign capital little incentive to take on emerging market risk.

7. Way Forward – Shifting from "Push" to "Pull" Factors

Abandoning Cheap-Money Reliance – Indian policymakers must accept that external capital "push" factors driven by cheap, ultra-low global interest rates are now history.

Developing Domestic "Pull" Incentives – To attract and retain foreign capital moving forward, India must build strong domestic advantages. This involves delivering higher GDP growth rates, maintaining fiscal discipline to stabilize the rupee, and ensuring robust corporate growth prospects.

Deepening Domestic Capital Markets – Reducing external exposure by encouraging domestic institutional investors (like LIC, EPFO, and mutual funds) to absorb sovereign debt, insulating India's bond market from global volatility.

Source – <https://indianexpress.com/article/explained/explained-economics/global-money-sovereign-bonds-impact-india-10717429/#~~~>

[text=There%20are%20two%20broad%20explanations,US%20Disrael%20versus%20Iran%20conflict.](#)

Question

"The era of ultra-low interest rates and quantitative easing by global central banks has ended, compressing the sovereign yield differential for emerging economies. Elaborate on how this structural shift affects foreign capital flows into India, and discuss the policy measures required to insulate the domestic economy." (250 Words, 15 Marks)

1. Introduction

The global monetary landscape is undergoing a significant transition. Driven by persistent inflation and supply shocks from the West Asia conflict, major central banks have reversed their decades-long regimes of quantitative easing, driving 10-year government bond yields up to 4.4% in the US and 4.9% in the UK. This conclusion of the "cheap money" era presents clear challenges for India's external capital accounts.

2. Impact on Foreign Capital Flows into India

The contraction of global liquidity and rising Western sovereign yields affect India through several key channels –

Sovereign Yield Spread Compression – India's 10-year domestic bond yield sits at approximately 7%, while the US 10-year Treasury yield has risen to 4.5%. This reduces the yield differential to just 2.5 percentage points, significantly below the historical average of 4-plus percentage points. Once adjusted for rupee depreciation, the risk premium for investing in an emerging market disappears.

Reversal from Inflows to Outflows – Capital flows are reflecting this compressed premium. India's net capital inflows, which averaged \$67.3 billion annually between 2009 and 2024, slowed to \$15 billion in 2024–25. Crucially, the first nine months of 2025–26 registered a net capital outflow of \$580 million.

Sustained FPI Flight – This shift is particularly evident in equity markets, where foreign portfolio investors (FPIs) have pulled capital out of India in five of the last six years since 2020–21, reversing the historical trend of steady inflows.

3. Policy Measures Required to Insulate the Economy

To safeguard macroeconomic stability, India must transition its strategy from relying on global liquidity "push" factors to strengthening internal "pull" factors –

Strengthening Internal Pull Factors – The state must focus on structural economic drivers, including maintaining fiscal consolidation, accelerating GDP growth, and improving corporate earnings to offer a genuine growth premium to global investors.

Deepening Local Bond Markets – Actively encouraging retail participation and expanding domestic institutional investment (via pension and insurance funds) to absorb government debt, reducing reliance on volatile foreign capital.

Proactive Exchange Rate Management – The RBI should utilize its foreign exchange reserves strategically to prevent sharp currency depreciation, anchoring investor expectations against exchange-rate losses.

Conclusion

The end of global quantitative easing means India can no longer rely on a surplus of cheap international money to fund its development. Navigating this new era requires structural adjustment. By building a robust domestic investment base, maintaining strict fiscal discipline, and focusing on sustainable economic growth, India can insulate its capital markets and achieve lasting macroeconomic self-reliance.

Source – <https://indianexpress.com/article/explained/explained-economics/global-money-sovereign-bonds-impact-india-10717429/#~~~text=There%20are%20two%20broad%20explanations,US%20Israel%20versus%20Iran%20conflict>.

3. External Shocks and Policy Choices (BL)

General Studies Paper – General Studies Paper II – Governance and Public Policy

Topic – Energy Security

Sub-Topic – Exchange Rate Stability

Introduction

India's economy remains vulnerable to external shocks such as geopolitical conflicts, disruptions in global trade routes, crude oil price volatility, and financial market uncertainties. As a major importer of energy, external disturbances can affect inflation, fiscal stability, exchange rates, and economic growth. Therefore, strengthening resilience through structural reforms and energy diversification has become a national priority.

1. Nature of External Economic Shocks

Geopolitical Conflicts

1. Wars and regional tensions can disrupt global supply chains.
2. Strategic maritime chokepoints influence international trade and energy flows.

Energy Price Volatility

1. Sudden increases in crude oil prices raise import bills.
2. Higher energy costs affect transportation, manufacturing, and households.

Financial Market Uncertainty

1. Global risk aversion can trigger capital outflows.
2. Exchange rate volatility affects trade and investment.

Supply Chain Disruptions

1. Interruptions in commodity and input supplies increase production costs.
2. Can contribute to inflationary pressures.

2. Impact on the Indian Economy

Pressure on Current Account Deficit (CAD)

1. Higher oil imports increase foreign exchange outflows.
2. Trade deficits may widen during prolonged disruptions.

Inflationary Pressures

1. Rising fuel prices increase transportation and logistics costs.
2. Food and essential commodity prices may also rise.

Fiscal Challenges

1. Governments may face pressure to provide subsidies or tax relief.
2. Revenue collections may be affected by slower economic activity.

Exchange Rate Volatility

1. Capital outflows and import pressures can weaken the rupee.
2. Currency depreciation may further increase import costs.

3. Structural Vulnerabilities

High Dependence on Imported Energy

1. India imports a large share of its crude oil requirements.
2. External events significantly influence domestic energy prices.

Fossil Fuel Dependence

1. Heavy reliance on conventional fuels exposes the economy to global market fluctuations.

Supply Chain Concentration

1. Dependence on limited suppliers can increase vulnerability during crises.

4. Policy Measures to Enhance Resilience

Accelerating Renewable Energy Transition

Solar and Wind Energy

1. Reduce dependence on imported fossil fuels.
2. Improve long-term energy security.

Green Hydrogen

1. Diversify the energy mix and support decarbonization goals.

Rational Energy Pricing

1. Promote efficient energy consumption.

2. Reduce excessive dependence on universal subsidies.

Strengthening Strategic Reserves

1. Expand petroleum and critical commodity reserves.
2. Provide buffers during supply disruptions.

Diversifying Import Sources

1. Reduce risks associated with concentrated supply chains.
2. Strengthen energy and trade partnerships.

5. Role of Fiscal and Governance Reforms

Direct Benefit Transfers (DBT)

1. Ensure targeted support to vulnerable households.
2. Improve subsidy efficiency and reduce leakages.

Subsidy Rationalisation

1. Shift from blanket subsidies to targeted assistance.
2. Improve fiscal sustainability.

Improving Market Efficiency

1. Encourage competitive markets and transparent pricing mechanisms.
2. Strengthen logistics and supply-chain infrastructure.

Fiscal Prudence

1. Maintain sustainable deficits and debt levels.
2. Create fiscal space for responding to emergencies.

6. Long-Term Strategies

Energy Self-Reliance

1. Increase domestic renewable energy generation.
2. Promote electric mobility and clean technologies.

Economic Diversification

1. Strengthen manufacturing and export competitiveness.
2. Reduce excessive dependence on imported commodities.

Institutional Preparedness

1. Develop crisis-management frameworks.
2. Improve coordination among government agencies and regulators.

Strengthening Foreign Exchange Buffers

1. Maintain adequate forex reserves to manage external shocks.

Way Forward

Build a Resilient Energy Ecosystem

1. Accelerate renewable energy deployment.
2. Strengthen storage, grid infrastructure, and strategic reserves.

Deepen Structural Reforms

1. Improve efficiency in subsidy delivery through DBT.
2. Promote market-oriented pricing where feasible.

Enhance Economic Competitiveness

1. Strengthen manufacturing, exports, and domestic production capabilities.
2. Reduce import dependence in critical sectors.

Strengthen Macroeconomic Stability

1. Maintain prudent fiscal and monetary policies.

2. Enhance investor confidence through policy predictability.

Conclusion

External shocks are an inevitable feature of an interconnected global economy. India's long-term resilience depends on reducing energy dependence, strengthening fiscal sustainability, diversifying supply chains, and accelerating the transition toward renewable energy. A combination of structural reforms and strategic preparedness will help India manage future disruptions while sustaining growth.

Source - <https://www.thehindubusinessline.com/opinion/external-shocks-and-policy-choices/article71049508.ece>

Question

Q. External economic shocks can significantly affect India's growth prospects, fiscal stability, and energy security. Examine the challenges posed by such shocks and suggest policy measures to enhance India's economic resilience. (250 Words)

Introduction

External economic shocks such as geopolitical conflicts, supply-chain disruptions, and energy price volatility have become increasingly frequent in the global economy. As a major energy-importing country, India remains vulnerable to these developments, which can affect inflation, fiscal balances, and external sector stability.

Challenges Posed by External Shocks

Energy Security Concerns

1. Rising crude oil prices increase import dependence and energy costs.
2. Supply disruptions can threaten energy availability.

External Sector Pressures

1. Higher import bills widen the Current Account Deficit.
2. Exchange rate volatility may increase due to capital outflows.

Inflationary Impact

1. Rising fuel and transportation costs contribute to cost-push inflation.
2. Essential commodity prices may also increase.

Fiscal Burden

1. Governments may face pressure to provide subsidies and tax relief measures.
2. Fiscal deficits may widen if revenues decline.

Measures to Enhance Resilience

1. Accelerate renewable energy and green hydrogen initiatives.
2. Expand strategic petroleum reserves.
3. Promote targeted Direct Benefit Transfers instead of universal subsidies.
4. Diversify energy import sources and strengthen supply chains.
5. Maintain prudent fiscal and monetary policies.
6. Enhance domestic manufacturing and export competitiveness.

Conclusion

Building resilience against external shocks requires a combination of energy diversification, fiscal prudence, structural reforms, and strong macroeconomic management. Such measures will strengthen India's ability to sustain growth while safeguarding economic stability in an increasingly uncertain global environment.

Source – <https://www.thehindubusinessline.com/opinion/external-shocks-and-policy-choices/article71049508.ece>

4. India's Maritime Transformation – From Coastal Nation to Global Sea Power (TP)

General Studies Paper – General Studies Paper III – Infrastructure, Transport and Economic Development

Topic – Maritime Security and Blue Economy

Sub-Topic – Shipbuilding and Ship Repair Industry

Introduction

For centuries, maritime power has been a key determinant of economic prosperity, strategic influence, and global connectivity. With a coastline of over 7,500 km and a strategic location in the Indian Ocean, India possesses immense maritime potential. Recent reforms, infrastructure investments, and port-led development initiatives are transforming India into a major maritime and logistics hub.

1. Strategic Importance of the Maritime Sector

Geographical Advantage

1. India is centrally located along major international sea trade routes.
2. Proximity to critical maritime chokepoints enhances strategic relevance.

Trade and Economic Significance

1. More than 90% of India's trade by volume is carried through maritime routes.
2. Ports serve as gateways for exports, imports, and global value chains.

National Security Dimension

1. Strong maritime capabilities enhance naval preparedness.
2. Secure sea lanes are essential for energy and trade security.

2. Maritime Infrastructure Transformation

Port Modernisation

1. Expansion of port capacity and cargo-handling capabilities.
2. Adoption of modern technologies for efficient port operations.

Port-led Development

1. Development of industrial clusters around ports.
2. Integration of ports with logistics, manufacturing, and export networks.

Improved Connectivity

1. Better road, rail, and inland waterway linkages.
2. Reduction in logistics costs and transportation delays.

3. Role of Maritime India Vision 2030

Capacity Expansion

1. Enhancing cargo handling and port efficiency.
2. Strengthening India's position in global maritime trade.

Global Competitiveness

1. Developing world-class port infrastructure.
2. Improving ease of doing business in maritime logistics.

Investment Promotion

1. Encouraging private sector participation and foreign investment.
2. Creating a robust maritime ecosystem.

4. Shipbuilding and Ship Repair Opportunities

Strategic Industry Development

1. Expansion of domestic shipbuilding capabilities.
2. Reduction in dependence on foreign shipyards.

Employment Generation

1. Creation of high-skilled jobs in manufacturing and engineering.
2. Growth of ancillary industries and maritime services.

Technological Advancement

1. Adoption of advanced ship design and marine technologies.
2. Strengthening indigenous industrial capabilities.

5. Green Maritime Transition

Sustainable Shipping

1. Adoption of cleaner fuels and low-emission technologies.
2. Compliance with international environmental standards.

Green Ports

1. Use of renewable energy and energy-efficient operations.
2. Reduction of carbon emissions from port activities.

Alternative Marine Fuels

1. Promotion of green hydrogen, ammonia, and biofuels.
2. Support for long-term decarbonisation goals.

6. Maritime Sector and the Blue Economy

Resource Utilisation

1. Sustainable use of ocean resources for economic growth.
2. Expansion of fisheries, marine biotechnology, and coastal tourism.

Coastal Development

1. Improved livelihoods in coastal communities.
2. Creation of new economic opportunities.

Economic Diversification

1. Broadening the contribution of marine sectors to GDP.

7. Challenges

Infrastructure Gaps

1. Need for continuous investment in ports and logistics.
2. Capacity constraints in some maritime facilities.

Global Competition

1. Competition from established maritime hubs.
2. Need to improve efficiency and service quality.

Environmental Concerns

1. Balancing maritime expansion with ecological sustainability.
2. Protecting coastal ecosystems and marine biodiversity.

Skilled Workforce Requirements

1. Demand for specialised maritime professionals and technical expertise.

8. Way Forward

Strengthen Port-led Development

1. Expand multimodal logistics networks.
2. Improve hinterland connectivity and cargo movement.

Promote Domestic Shipbuilding

1. Provide policy support and financing mechanisms.
2. Encourage technology transfer and innovation.

Accelerate Green Shipping

1. Invest in alternative fuels and clean maritime technologies.
2. Develop green port infrastructure.

Enhance Maritime Governance

1. Strengthen regulatory frameworks and institutional coordination.
2. Align national policies with global maritime standards.

Leverage the Blue Economy

1. Promote sustainable marine resource utilization.
2. Support coastal economic development and employment generation.

Conclusion

India's maritime transformation represents a major shift in its economic and strategic outlook. Through modern ports, stronger logistics networks, green shipping initiatives, and a vibrant shipbuilding industry, India is emerging as a significant maritime power. A robust maritime ecosystem will not only strengthen trade competitiveness and economic growth but also enhance India's role in the Indo-Pacific and the global economy.

Source - <https://dailypioneer.com/news/from-coastal-nation-to-global-sea-power>

Question

Q. Discuss the significance of the maritime sector in India's economic and strategic transformation. Examine the role of port-led development, shipbuilding, and green shipping in realizing India's maritime ambitions. (250 Words)

Introduction

The maritime sector plays a crucial role in economic growth, trade facilitation, energy security, and strategic influence. Given its strategic location and extensive coastline, India possesses significant potential to emerge as a major maritime power through infrastructure development and policy reforms.

Significance of the Maritime Sector

Economic Importance

1. Handles the majority of India's trade by volume.
2. Supports exports, imports, and industrial growth.

Strategic Relevance

1. Strengthens maritime security and protection of sea lanes.
2. Enhances India's role in the Indo-Pacific region.

Blue Economy Potential

1. Promotes fisheries, tourism, marine resources, and coastal development.

Role of Port-led Development

1. Modernisation of ports improves efficiency and reduces logistics costs.
2. Better connectivity strengthens trade competitiveness.

3. Encourages industrial and economic activity around ports.

Importance of Shipbuilding and Green Shipping

Shipbuilding

1. Promotes self-reliance in strategic industries.
2. Generates employment and technological capabilities.

Green Shipping

1. Reduces carbon emissions and environmental impact.
2. Supports sustainable maritime growth and compliance with global standards.

Challenges

1. Infrastructure bottlenecks.
2. Global competition from established maritime hubs.
3. Environmental concerns and skill shortages.

Conclusion

A strong maritime sector is essential for India's economic development and strategic ambitions. By strengthening ports, promoting shipbuilding, embracing green shipping, and leveraging the blue economy, India can establish itself as a leading maritime nation and a key player in global trade and connectivity.

Source - <https://dailypioneer.com/news/from-coastal-nation-to-global-sea-power>